

Message Text

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PAGE 01 SAN SA 01184 101902Z POSS DUPE
ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 ISO-00 COME-00 FRB-01
CIAE-00 INR-10 NSAE-00 SP-02 OMB-01 STR-07 TRSE-00
PA-02 USIA-15 /073 W
-----059840 102145Z /64

P R 101719Z MAR 78
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC PRIORITY 7305
INFO AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA
AMEMBASSY LIMA
AMEMBASSY LONDON
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMEMBASSY CARACAS
AMEMBASSY TEGUCIGALPA
AMEMBASSY MEXICO
AMEMBASSY SANTO DOMINGO
AMEMBASSY SAN JOSE
USDA WASHDC

UNCLAS SAN SALVADOR 1184

E.O. 11652: N/A
TAGS: EAGR, ETRD, ES
SUBJECT:COFFEE: CENTRAL MILDS PRODUCERS MEETING SAN SALVADOR

1. REPRESENTATIVES OF EIGHT CENTRAL MILD PRODUCERS
ARE MEETING IN SAN SALVADOR MARCH 9 AND 10 TO DISCUSS
COORDINATION OF SALES POLICIES IN THE FACE OF THE
RECENT DROP IN COFFEE PRICES. COSTA RICA, DOMINICAN
REPUBLIC, GUATEMALA, HONDURAS, MEXICO, NICARAGUA, PERU
AND VENEZUELA ARE REPRESENTED AT THE MEETING. THE
AGENDA REPORTEDLY CONSISTS OF AN ANALYSIS OF THE
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PAGE 02 SAN SA 01184 101902Z POSS DUPE

CURRENT MARKET SITUATION, A STUDY OF THE SUPPLY OF
CENTRAL MILD COFFEE AND A CONSIDERATION OF
MEASURES TO BE TAKEN IN VIEW OF THE DROP IN
PRICES. IN THE WORDS OF A SALVADORAN COFFEE
COMPANY (COSCAFE) SPOKESMAN, "THIS IS THE TIME
TO TAKE DEFENSIVE MEASURES AGAINST THE STRONG
MANEUVERS OF THE CONSUMING COUNTRIES, WHICH

HAVE PROVOKED A DANGEROUS DROP IN THE PRICE OF COFFEE." A SERIES OF WORKING GROUPS ARE MEETING MARCH 9 AND A PLENARY SESSION TO CONSIDER THE RESULTS OF THE WORKING GROUPS' DELIBERATIONS IS SCHEDULED FOR MARCH 10.

2. ORIGINALLY CONCEIVED AS A MINISTERIAL LEVEL MEETING, IT NOW APPEARS THAT ONLY EL SALVADOR WILL BE REPRESENTED AT THAT LEVEL. THE ABSENCE OF COLOMBIA FROM THE MEETING ALSO APPEARS TO ROB IT OF SOME SIGNIFICANCE. DELEGATIONS REPORTED IN THE PRESS ARE AS FOLLOWS:

(1) COSTA RICA: TOBIU UMANA AND ALVARO JIMENEZ.

(2) DOMINICAN REPUBLIC: JUAN PABLO DUARTE, VICE MINISTER OF AGRICULTURE; JORGE CUIEL AND ANDRES LOCKWOOD.

(3) GUATEMALA: JUAN ROHRMAN, VICE MINISTER OF AGRICULTURE; TEDDY PLOCHARSKI, PRESIDENT OF THE NATIONAL COFFEE ASSOCIATION; ENRIQUE ROESCH, GREGORIO PADILLA, EDUARDO GONZALES AND DR. BENJAMIN CHINCHILLA.

(4) HONDURAS: FERNANDO D. MONTES, DIRECTOR
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PAGE 03 SAN SA 01184 101902Z POSS DUPE

OF THE HONDURAN COFFEE INSTITUTE; RODIL RIVERA, CLAUS SCHNAU, MANUEL FONTECHA, CARLOS GUN OSCAR KAFATI AND JUAN DIEGO MOLINA.

(5) MEXICO: FAUSTO CANTU PENA, DIRECTOR OF THE MEXICAN COFFEE INSTITUTE; DANIEL MORALES, CARLOS DOSAL GARIBAY, NICASIO MUGUIRA REVUELTA, MIGUEL CARDENAS TIJERIAN, MANUEL CHAVEZ BUENDIA, ENRIQUE RODRIGUEZ AND JUAN OSORIO.

(6) NICARAGUA: DR. JAIME FERNANDEZ, VICE MINISTER OF ECONOMY; IVAN ROSALES, DIRECTOR OF THE NICARAGUAN COFFEE INSTITUTE; FABIO GALLO, FRANK BENDANA, AUGUSTIN GOMEZ AND JOSE A. BUITRAGO.

(7) PERU: GIAN NICOLA TEDALDO AND CARLOS BRACAMONTE.

(8) VENEZUELA: PEDRO ANGEL VASQUEZ, DIRECTOR OF THE NATIONAL COFFEE FUND.

3. FOR EL SALVADOR, THE MEETING CONVENED IN AN

ATMOSPHERE OF CRISIS AS THE WORLD PRICE DROPPED AND INTERNAL CIRITICISM OF THE POLICIES OF THE SALVADORAN COFFEE COMPANY AND ITS DIRECTOR, RICARD FALLA, MOUNTED. PRIVATE SECTOR GROWERS, PROCESSORS AND EXPORTERS APPEAR TO BE DEEPLY DIS-SATISFIED WITH FALLA'S MANAGEMENT OF THE COUNTRY'S COFFEE POLICY. THE COMPANY OPENED EXPORT REGISTERS LATE IN THE HARVEST, AND SET A MINIMUM EXPORT PRICE WELL ABOVE WORLD MARKET LEVELS. THIS FORCED MOST PRODUCERS TO SELL TO COSCAFE, AS PRIVATE EXPORTERS WERE REULCTANT TO ASSUME THE RISK OF MEETING THE COMPANY'S INTERNAL PRICE AND IN EFFECT SPECULATING ON A RISE IN THE INTER-NATIONAL PRICE TO THE LEVEL OF THE MINIMUM EXPORT

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 SAN SA 01184 101902Z POSS DUPE

PRICE. THE COMPANY LATER RESTRICTED ITS PURCHASES TO GROWERS FINANCED BY THE COMPANY AND THEN SUS-PENDED PURCHASES ALTOGETHER BEFORE THE FEBRUARY ICO MEETING, LEAVING GROWERS WHO HAD NOT SOLD HAND-ING. PURCHASES MAY HAVE BEEN SUSPENDED BECAUSE OF CAHS FLOW PROBLEMS. IN ADDITION, THE COMPANY'S POLICY OF RESTRICTED SALES HAS CAUSED A SERIOUS CREDIT SQUEEZE, AS COFFEE RECEIPTS ARE NOT FLOW-ING INTO THE BANKING SYSTEM, AND HAS ADERSELY AFFECTED THE LEVEL OF INTERNATIONAL RESERVES AND GOVERNMENT REVENUES. THE VIEW OF LOCAL TRADE SOURCES APPEARS TO BE THAT ONLY EL SALVADOR HAS HELD TO THE LATE OCTOBER AGREEMENT OF CENTRAL MILDS PRODUCERS TO RESTRICT SALES AND HAS THUS BEEN THE GOAT OF THAT AGREEMENT. FALLA FOUGHT BACK BY CHARGING CONSUMING COUNTRIES WITH MANIPULATION, AND HAS PARTICULARLY CRITICIZED USDA ESTIMATES OF WORLD PRODUCTION, WHICH HE CLAIMS HAVE SYSTEM-ATICALLY EXAGGERATED SUPPLIES. WITH INTERNAL PRESSURES MOUNTING ON FALLA, IT APPEARS THAT SOMETHING WILL HAVE TO GIVE HERE UNLESS A SUBSTANTIAL RISE IN THE WORLD PRICE IS FROZE-COMING IN THE FAIRLY NEAR FUTURE.

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